

# The Business Advocate

**A newsletter for State Contracting and Purchasing Officials, Small Business Advocates, Small Businesses & Disabled Veteran Business Enterprises**

## In this issue:

## The Procurement Reforms: Changes for A Better Future

When a business enterprise undertakes major changes, there is the natural tendency to wonder how the changes will impact everything the enterprise does. How will the changes impact the direction of the enterprise? How will they impact management? How will they impact the employees? How will they impact business? What about those who do business with the enterprise? How will the changes impact them?

The Department of General Services (DGS) has been in the process of implementing major changes in the State of California's procurement and contracting practices and processes in response to the Governor's Task Force Recommendations for Procurement Reform, which the Task Force submitted to the Governor on August 30, 2002, in response to Executive Order D-55-02. In the midst of these major changes that are taking place, the burning question for the small business community is, "How will the changes affect us?"

When state employees discuss the Task Force Recommendations in daily meetings and in the hallways at the DGS headquarters in West Sacramento, as well as in agencies throughout the state, they tend to refer to the recommendations as "procurement

reforms." A better, more positive way to think of the recommendations is to think of them as *procurement improvements* – as opportunities for the state to build upon the strengths that are already in place within the state's contracting and procurement systems and to eliminate costly, counter-productive practices that add no value and can undermine the state's ability to make sound business decisions.

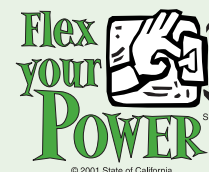
The recommendations, which impact virtually every agency, call for enhanced oversight by the DGS of contracting and procurement activities, along with robust policies and procedures and increased legal participation in high-risk transactions. In addition, the recommendations call for a comprehensive eProcurement system for all state contract and procurement transactions.

They also call for the development of a comprehensive training and certification program for all of the state's contracting and procurement professionals, as well as industry and stakeholder participation in influencing continuous improvement of the state's contracting and procurement processes.

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**Running a successful business means making every dollar count, and cutting back on unnecessary energy use is an easy way to keep your hard-earned money working for you. Here are some energy saving tips:**

- Turn your thermostat to 78° during business hours, and up to 85° – or off – when your office is closed
- Reduce your lighting
- Use shades and blinds
- Use "smart" power strips
- Buy Energy Star Products



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To assist agencies' management in achieving clear visibility of contracting and procurement activities within their respective organizations – visibility that is essential to sound business management – the recommendations also call for a system of integrated transaction tracking. Among the many kinds of valuable data that the system will provide, it will give a clear picture of each agency's performance with respect to contract and procurement awards to small businesses.

In fact, all of the improvements that the procurement reforms represent will be especially beneficial to the small business community. For example, for transactions valued in excess of \$5,000 under California Multiple Award Schedules (CMAS) and Master Agreements, the state's contract and procurement professionals are required to obtain bids from three suppliers, including one small business and/or

disabled veteran business enterprise (DVBE), if available. The contract or procurement professional must document the solicitation methods used if less than three bids were obtained; and the documentation must be included in the contract or procurement report to the DGS.

Of vital importance to firms that do business with the state – many of which are small businesses – doing business with the state will be significantly improved. This improvement will be the direct result of the rigorous training and professional development program that the DGS is now in the process of establishing to ensure that every state contract and procurement professional is fully knowledgeable of the state's procurement regulations and policies, including those focused on promoting opportunities for small businesses to compete for contract and procurement awards for which they qualify.

Very simply, the objective of the training and professional development program is to ensure that every individual that awards contracts or procurements on behalf of the state is qualified and understands his or her responsibilities with respect to all of the state's governing procurement laws and regulations, including the state's requirements with respect to small businesses and DVBEs.

There is no question that the State of California is well on its way to improving its procurement practices and processes. And, in response to the small business community's question, "How will the changes affect us?", there is no question that, ultimately, the state's small business community will be a significant beneficiary of these improvements.

## Now a One-Stop Shop for Small Business Certification

The Procurement Division (PD) believes its progressive Reciprocity Program will transform small business programs within California. The program supports the Department of General Services' (DGS) goal to increase opportunities in public contracting for California's small businesses.

The Reciprocity Program is spearheading an effort to bring state and local agencies together in partnerships to support one primary small business certification process throughout California. Addressing the concern of small businesses, the program is designed to reduce the need for small businesses to obtain multiple certifications. The ultimate goal is a "One-Stop Shop for Small Business Certification" for California businesses. Although the realization of "One-Stop Shop for Small Business Certification" will not happen overnight, the Reciprocity Program is already reducing paperwork.

This effort has reaped dividends for state and local agencies by increasing the available pool of certified small businesses. The Reciprocity Program staff within the DGS/PD, Office of Small Business and DVBE Certification (OSDC), believes that this greater exposure should increase government contracting opportunities for certified small businesses.

The Reciprocity Program staff works with local agencies to find ways to partner that take into account their various local needs and political sensitivities. In fact, the best feature of the program is that its application is flexible and dynamic. Local agencies, such as the County of Los Angeles, both the City and County of Sacramento, and the Sacramento Municipal Utilities District (SMUD), have entered into reciprocal partnership agreements, while retaining the unique qualities of their respective programs.

For more information about the Reciprocity Program and a full list of the state's partners, please visit the PD website at [www.pd.dgs.ca.gov](http://www.pd.dgs.ca.gov) under *Small and Disabled Veteran Business, Small Business Certification Reciprocity*. You may also contact Steven Tolle, Local Government Liaison, at (916) 375-4935 or [steven.tolle@dgs.ca.gov](mailto:steven.tolle@dgs.ca.gov).

## **Commitment to Use Small Businesses and DVBEs for the East End Project**

The Department of General Services (DGS) Capitol Area East End Complex is a new construction of five office buildings and two parking structures in downtown Sacramento, east and south of the State Capitol Building and Capitol Park, consolidating approximately 6,000 employees for the Departments of Health Services and Education.

The project is the first of its kind. It is the largest state office project in California's history; the first design/build project; the first project with sustainable goals at the onset of design; and it is the first state office project that implemented contractor committed Small Business (SB)/Disabled Veteran Business Enterprise (DVBE) Utilization Plans among other items. Each design/build contractor, Clark/Gruen Design/Build, Inc. and Hensel Phelps Construction Company, was required to submit a plan with their Request for Proposal (RFP) that identified a participation goal, the anticipated products and services that would be subcontracted to SBs and DVBEs, a commitment to maintain an audit trail, and provide a monthly summary report and recovery plan.

The design/build contractors were required to competitively bid all work that was not performed by them or their designated subcontractors in accordance with the Public Contract Code and to comply with the state's Small Business Program. At each of the

mandatory pre-bid conferences, the design/build contractors explained the DVBE solicitation process to potential bidders and encouraged subcontractors to apply for SB certification.

To assist the contractors, the DGS established a certification process whereby prospective SB and/or DVBE contractors and vendors could identify the East End project on their applications to receive expedited processing.

Collectively during the construction of the buildings, Clark/Gruen Design/Build, Inc. and Hensel Phelps Construction Company, reported \$55.8 million in SB participation (19 percent of the stipulated contract sums) and \$5.96 million in DVBE participation (two percent of the stipulated contract sums). In addition, in April 2001, Hensel Phelps Construction Company, designer/builder for the Block 225 building, was presented with the John K. Lopez "Keeping the Promise" trophy by DVBEs in recognition of meeting their DVBE participation goal.

The proposals submitted by Clark/Gruen Design/Build, Inc. and Hensel Phelps Construction Company fully outlined their commitment to meet or exceed the goal that was established to promote and facilitate full participation by certified SBs and DVBEs.



## More State Agency Reporting

Senate Bill (SB) 1045, effective January 1, 2003 requires that each state department or agency awarding a contract or procuring goods or services collect information on the level of participation by minority, women, and disabled veteran business enterprises (DVBEs) in contract and procurement activities and provide a report. The report shall be submitted by each awarding department/agency annually, to the Governor and the Legislature on or before July 1<sup>st</sup> of each year, and shall include dollar values of contract awards for the following categories of contractors:

- (1) Construction;
- (2) Architecture and engineering and other professional services;
- (3) Procurement of materials, supplies, and equipment;
- (4) Information technology (IT) procurements.

The reporting period is not specified in the law but for the Department of General Services (DGS), it is determined as being the previous fiscal year.

The report required by SB 1045 is not sent to the DGS.

This report is in addition to the Small Business, Microbusiness, and DVBE participation reports.

## Proposed Small Business Regulations Soon to be a Reality

The Department of General Services (DGS), Procurement Division (PD), Office of Small Business and Disabled Veteran Business Enterprise (DVBE) Certification (OSDC), recently embarked on a complete rewrite of the regulations that govern small business certification and application of the small business preference program.

The DGS is following the Administrative Procedure Act (APA) rules for adopting the regulations. The APA rules provide for public notification, as well as an opportunity to comment in writing or verbally at a public hearing. The hearing was held on March 18, 2003, and the last day to submit written comments was March 17, 2003. The OSDC is currently considering the comments received, and preparing the documents for final submittal to the Office of Administrative Law and the Secretary of State prior to adoption of the regulations. With any luck, the regulations should be adopted by July 1, 2003.

The new regulations are streamlined and simplified. But more importantly, they also address some newly adopted laws, as follows:

- They address application of the small business preference to solicitations where factors other than cost are used to determine the winning bidder.
- They address application of the small business preference to non-small business bidders that commit to subcontracting with certified small businesses. This preference cannot be used to prevent a small business from winning the award.

The regulations also include language requiring all certified small businesses to provide a “commercially useful function” in the performance of a contract, either as the prime bidder, or a subcontractor to a non-small business.

The OSDC indicates that they had much help drafting the regulations. A team composed of the OSDC staff, the DGS Office of Legal Services, other PD staff, the DGS Real Estate Services Division, and staff from the Department of Transportation worked many months to arrive at the final draft that was published for public comment. The OSDC has asked that we pass on their thanks for the dedication and assistance provided by all who contributed!

State agencies and vendors alike should take a few minutes to acquaint themselves with the proposed regulations available at the PD website at [www.pd.dgs.ca.gov](http://www.pd.dgs.ca.gov) under *Publications, Small/DVBE Publications*. Questions may be directed to Patricia Jones, Chief, OSDC, at (916) 375-4945 or [patricia.jones@dgs.ca.gov](mailto:patricia.jones@dgs.ca.gov).

## An Increase in Small and Microbusiness Participation in State Contracting

Each year, a statewide report on the participation of small and microbusiness firms in state contracting is submitted to the Legislature by the Department of General Services (DGS) pursuant to the requirements of California Government Code Section 14840 under the Small Business Procurement and Contract Act. The report provides data on small and microbusiness firms in state contracting participation and highlights improvements made in that area.

The number of small businesses certified by the state since Governor Gray Davis took office has increased by approximately 120 percent. During Fiscal Year 2001/2002 the number of California certified small business firms rose from 6,931 to 10,926, an increase of 63 percent over the previous year.

Departments with significant improvement in participation include:

<b><u>Department</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>Improvement</u></b>
Aging	5.8%	35.7%	29.9%
Business, Transportation & Housing	15.2%	59.3%	44.1%
California African American Museum	0.0%	29.1%	29.1%
Conservation	3.4%	17.9%	14.5%
Corrections	19.2%	49.6%	30.4%
Fair Employment & Housing	13.3%	29.5%	16.2%
Health & Human Services Data Center	7.1%	17.7%	10.6%
Highway Patrol	12.1%	26.9%	14.8%
Horse Racing Board	3.6%	22.7%	19.1%
Industrial Relations	10.4%	26.1%	15.7%
Integrated Waste Management Board	9.1%	31.3%	22.2%
Managed Health Care	8.9%	40.9%	32.0%
Military	11.1%	27.8%	16.7%
Parks & Recreation	13.9%	40.1%	26.2%
Personnel Administration	8.6%	56.1%	47.5%
Board of Prison Terms	28.9%	57.5%	28.6%
Real Estate	17.3%	37.0%	19.7%
Secretary of State	3.8%	53.2%	49.4%
Veterans Affairs	2.7%	16.3%	13.6%

# Calendar of Events for 2003

## Office of Small Business and DVBE Outreach and Education

<b><u>Date(s)</u></b>	<b><u>Event</u></b>	<b><u>Location</u></b>
June 3-4	Business Community Training	San Diego, CA
June 4	Asian Business Association	Buena Park, CA
June 9-10	Business Community Training	Sacramento, CA
June 19-20	Business Community Training	Van Nuys, CA
September 12-14	Black Business Expo	Los Angeles, CA

For more information on events to be attended by the Office of Small Business and DVBE Outreach and Education, including additional events and/or cancellations, please contact Danetta Martin by phone at (916) 375-4483 or by e-mail at [danetta.martin@dgs.ca.gov](mailto:danetta.martin@dgs.ca.gov).

### **Do You Want to Share Your Small Business and/or DVBE Success Story with Others?**

We invite certified small businesses and disabled veteran business enterprises (DVBEs) to share their success stories with our readers. In each issue of *The Business Advocate*, we would like to publish an article about a certified small business and/or DVBE who has been successful in doing business with the state. Your article should include a brief description of your firm as well as project(s) you have been involved in with the state. We encourage all small businesses and DVBEs to get certified with the State of California and we hope that these success stories will assist with our objective of getting all California small businesses and DVBEs state-certified. Submissions may be mailed to:

Wendy Zeto, Small Business/DVBE Advocate  
Department of General Services  
Procurement Division  
Office of Small Business and DVBE Outreach and Education  
707 3<sup>rd</sup> Street, 2<sup>nd</sup> Floor  
West Sacramento, CA 95605

or e-mailed to: [wendy.zeto@dgs.ca.gov](mailto:wendy.zeto@dgs.ca.gov)

Questions may be directed to Wendy Zeto by phone at (916) 375-4572 or by e-mail at [wendy.zeto@dgs.ca.gov](mailto:wendy.zeto@dgs.ca.gov)



## Business Community Workshop (BCW)

The State of California contracts over \$6 billion every year to private businesses. Find out how to be a part of these contracting opportunities by attending a free Business Community Workshop (BCW).

- You will be introduced to the vast contracting opportunities offered by the State of California.
- Learn where to find government contracting opportunities quickly and easily.
- Learn what a “DVBE” is and why knowing the answer may be vital to your state contracting success.

BCWs, previously given on an on-going basis, are now only given upon request.

## Business Community Training (BCT)

The Department of General Services, Procurement Division offers a free course designed especially for business owners who want to do business with the state. It is called, *State Contracting 101: Tips for the Competitive Edge*.

This course will give you a better understanding of the contracting process whether you have bid on state contracts, but did not fully understand the process, or have never bid on state contracts. Best of all, the next time you submit a bid, you will be able to do it with confidence.

Following is the upcoming schedule for this course:

<b><u>Location</u></b>	<b><u>Class Dates</u></b>	<b><u>Time</u></b>
San Diego	June 3-4	8:30 a.m. – 4:00 p.m.
Sacramento	June 9-10	8:30 a.m. – 4:00 p.m.
Van Nuys	June 19-20	8:30 a.m. – 4:00 p.m.

For more information and to view the most up-to-date BCW and/or BCT schedule, please visit the Procurement Division website at [www.dgs.ca.gov/pd](http://www.dgs.ca.gov/pd) under *CAMMI*.

To register for a scheduled BCW and/or BCT, please contact Georgia Welsh by phone at (916) 375-4335 or by e-mail at [georgia.welsh@dgs.ca.gov](mailto:georgia.welsh@dgs.ca.gov).



## **“The Business Advocate”**

is available to view or download at the  
Procurement Division website at  
[www.dgs.ca.gov/pd](http://www.dgs.ca.gov/pd) under  
“Small/DVBE Outreach & Education”

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